

NRG Energy, Inc. Comments on Local Market Power Mitigation Revised Straw Proposal

Submitted By	Company	Date Submitted
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NRG submits these comments on a single aspect of the CAISO's LMPM proposal – the proposal to adjust reasonableness thresholds for market-participant reference levels in the real-time market.

The CAISO's proposal to update the reasonableness thresholds for the real-time market based on a snapshot of same-day prices observed on the Intercontinental Exchange is a positive step. The gas price currently used for assessment and mitigation of market power in the real-time market is a lagging next-day price. Using a same-day price from the morning same-day gas procurement will improve the quality and accuracy of the price. It should, for example, allow for the pricing impacts of an OFO declared the evening before to be included in the reasonable thresholds.

While this step is an improvement, it is not a panacea. NRG notes several possible shortcomings with this approach:

- *First*, given that the reasonable thresholds are updated from a single morning-of same-day inspection of prices on ICE, this single static update may not be sufficient to account for volatility in the same-day market.
- *Second*, whether the update adequately provides opportunity for market participants to reflect their expectations of same-day gas prices in their bids will depend on what morning-of, same-day price is used, and what kind of scalar is applied to the morning-of, same-day price used.

Finally, NRG notes that the CAISO's proposal applies only to the real-time market. While the CAISO's proposal recognizes that market participants may and likely will have to turn to the same-day gas market to support any real-time balancing energy awards, it is also possible that market participants may and likely will have to turn to the same-day market for secure gas for any day-ahead market awards that they were not able to reasonably predict. If the CAISO uses a next-day gas price to set reasonableness thresholds for day-ahead market bids, and there is a significant difference between the next-day price the CAISO uses and the actual same-day gas price at which market participants that did not precisely forecast their day-ahead market awards and now must procure same-day gas to support those awards (a likely outcome when an OFO is declared), then market participants remain exposed to having their day-ahead reference level adjustments rejected because their bids might reflect the expectation of having to engage in same-day gas procurement, while the CAISO's reasonableness threshold will be using an old next-day gas price at which market participants can no longer procure gas.